

# MARKET ORIENTATION, ORGANIZATIONAL LEARNING, INNOVATION AND PERFORMANCE: KEYS TO THE SUSTAINABILITY OF NON-PROFITS

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## Abstract:

The purpose of this paper is to review literature, exploring the relationships between the concepts market orientation, organizational learning, innovation and performance in nonprofit organizations. To understand the nature of these concepts in the nonprofit context, the authors will discuss their application to nonprofit organizations. It questioned the use of management methodologies in these organizations and suggests the investigation of its application to improve its performance. The management of nonprofit organizations should move to another setting, unlike the informality that characterizes them. The question which arises is this reality that these organizations as complex organizations, should strive to implement new management tools that enable them to achieve sustainability, while they seek to achieve their social mission in the universe that are inserted. Thus, the authors propose a conceptual model that relates the concepts above and presents the hypotheses to be tested. They conclude by suggesting the application of the empirical model NPO management as a line of future research. The paper presented, which is part of a broader work of a doctoral thesis, refers mainly to literature.

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**Key Words:** Market orientation, Learning organizations, Innovation, Performance, Nonprofit organizations

## Introduction

The social economy and the nonprofit sector appear as a field of growing importance in Europe (Chaves and Monzón, 2001). The changes observed in society in recent decades leading to the need for new forms of management of NPOs in order to balance sustainability and solidarity of those in the long term (Mações, 2010).

Literature is not, yet, a management model applicable to NPOs that encompasses the complexity and diversity of the various factors (Morin et al., 1994; Brunet et al., 1991; Savoie and Morin, 2001). Of existing research on the NPOs (Cutt and Murray, 2000; Morrell, 1986; Kanter and Summers, 1987; Kumar et al., 1998; Sawhill and Williamson, 2001; Baptista and Cristovão, 2004) notes that it is a sector where these are managed so unprofessional.

The literature suggests that profitable firms to be sustainable we must guide organizations to market (Deshpande et al., 1993, Day, 1992, 1994, Harris and Ogbonna, 2001; Kohli and Jaworski, 1990; Kohli et al., 1993; Narver and Slater, 1990, Webb et al.; 2000); should make them innovative (Damanpour and Evan, 1984; Atuahene-Gima, 1995; Damanpour, 1996; Jaworski and Kohli, 1996, Han et al. 1998; Hurley and Hult, 1998; Lukas and Ferrell, 2000) and must be capable of learning

(Baker and Sinkula, 1999a; Hunt and Morgan, 1995; Sinkula, 1994; Sinkula et al. 1997). For the NPO intend to investigate whether the same criteria apply.

In the last two decades the nonprofit sector has undergone various pressures, such as increased scrutiny by the public sector and donors, competition for resources and subsidy cuts. This leads to the NPO give consideration to performance and for the achievement of objectives with the external obtain new features (Duque-Zuluaga e Schneider, 2008).

### **Main Text**

The literature suggests that profitable firms to be sustainable we must guide organizations to market (Deshpande et al., 1993, Day, 1992, 1994, Harris and Ogbonna, 2001; Kohli and Jaworski, 1990; Kohli et al., 1993; Narver and Slater, 1990, Webb et al.; 2000); should make them innovative (Damanpour and Evan, 1984; Atuahene-Gima, 1995; Damanpour, 1996; Jaworski and Kohli, 1996, Han et al. 1998; Hurley and Hult, 1998; Lukas and Ferrell, 2000) and must be capable of learning (Baker and Sinkula, 1999a; Hunt and Morgan, 1995; Sinkula, 1994; Sinkula et al. 1997). For the NPO intend to investigate whether the same criteria apply.

One way to achieve sustainability is precisely through organizational learning. According to Day (1994) is necessary for organizations to have a greater learning capacity due to constant market changes, increasing the information available and the importance of acting in advance to competitors. The market orientation is a form of organizational learning. On the other hand, Slater and Narver (1995) suggest that organizations with a strong culture of organizational learning are much less likely to be dominated by the surrounding conditions of the deal, since they were more flexible and thus can act more quickly to opportunities and adversities which arise. Both concepts of market orientation and organizational learning have received much attention from researchers and managers who consider it a source of sustainable competitive advantage. The relationship between the two has been considered from various points of view. For Hult et al. (2000) is a consequence of market orientation, or as an antecedent of market orientation (Uncles, 2000), but for Baker and Sinkula (1999b) is a mediating variable between market orientation and performance. We believe that to better understand the concepts of market orientation and organizational learning can grasp its indirect influence to the performance and increase the sustainability of NPOs.

Druker (1954) lists another important role in the management of enterprises, it is innovation. This may be in terms of a new product, new service, new process, among others, that produces economic value (Foster and Kaplan, 2001). Innovation and knowledge have become key elements for organizations to be competitive and to ensure adaptation to the globalized world. Its importance is such that Europe stood promoting innovation policies on the agenda of the Lisbon "Lisbon Strategy" with the goal of making the EU the most competitive and dynamic economy based on innovation, able to grow economically in a sustainable way with more and better jobs and greater social cohesion (Frutos, 2008). Taking into account the considerations of the Commission on innovation, this includes new means of production, new forms of management and assimilation, not only in the economic sphere, but also in the social sphere. This implies that besides the technological innovation is an organizational innovation that considers new management models (new forms of organizing in areas such as human resources management, distribution, financial, etc.).

There are some studies that show empirically the positive relationship between innovation and performance (Damanpour and Evan, 1984; Damanpour et al., 1989). In the current context, the changes that have taken place, whether in economic, social and political growth and have led to strengthening of NPOs. These are alternatives to channel civil society efforts in improving the quality of life in view of social development. Why carry out functions of public interest, are increasing their demands, and new challenges for these organizations either in its management or its performance, accountable to society, partners and funders. The NPO, enterprises and government organizations share responsibility for social development. Belonging to a particular universe where social action

divide responsibilities along with the state and private companies, the NPO seeking to innovate in order to ensure their survival and sustainable development. However, unlike what happens with the market orientation and organizational learning, innovation has been absent from models market orientation (Jaworski and Kohli, 1993; Hurley and Hult, 1998). Han et al. (1998) demonstrated that market orientation alone does not make organizations more competitive. On the other hand, Slater and Narver (1995) suggest that market orientation only boosts performance when organizational learning is present. In turn, there are authors who advocate the inclusion of innovation as a mechanism for responding to changes in society.

Currently, most NPOs realized the importance of having effective management because now aware that they cannot survive only on the goodwill of a few, but those forms of market-oriented management, organizational learning, innovation and Performance. Must have a strong concern for the mission, values, vision, and with particular care on the results, looking for leadership development, focus on people, business and pursuit of sustainability (Drucker, 1994). To achieve effective management in the pursuit of sustainability, these organizations need the tools used in organizations profitable (OL). That these tools should be adapted to organizational contexts of NPOs that have some special features that cannot be ignored.

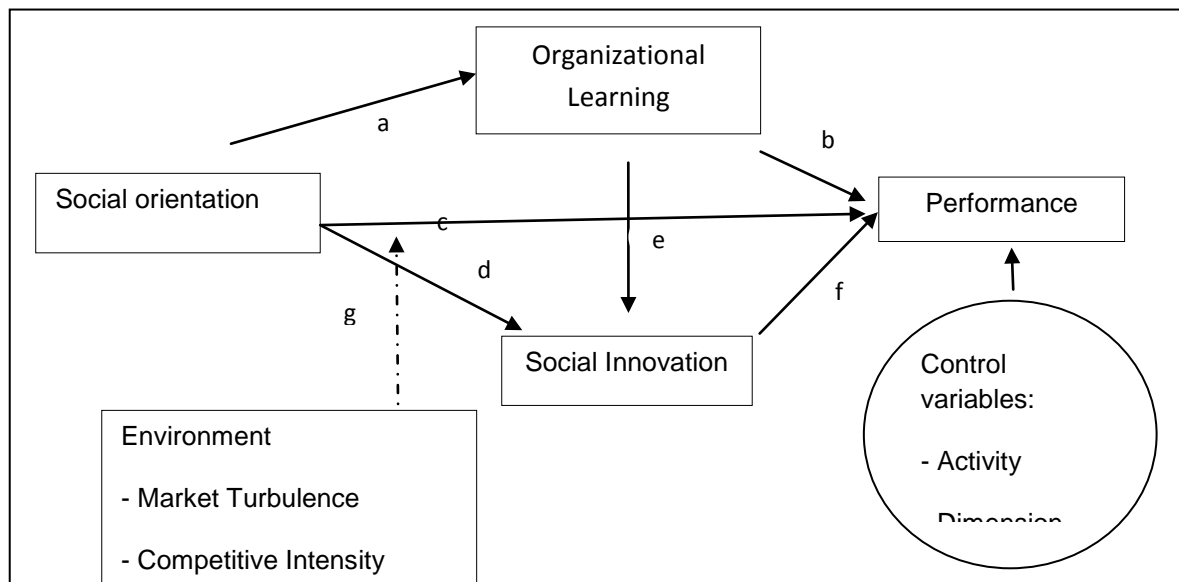
In general terms intend to investigate if the use of a business management influencing sustainability of NPO? We can implement the concepts of market orientation, organizational learning, innovation and performance for NPOs? These concepts allow better performance? Drucker (1994) argues that the NPO should be managed business, despite not having a "profit" conventional. They need to learn to use the new concepts of management in order to survive in today's society and thus achieve its mission. However, most of the concepts and tools were originally developed to meet the needs of businesses and little attention has been paid to the characteristics and needs of NPOs distinctive: its mission, which both companies as distinguished from the state; strategies necessary to marketing their services and the necessary resources to carry out its tasks; challenge to the introduction of innovations in organizations that rely on volunteers, manage their performance, among others. Keep an NPO sustainable through good management practices is challenging, but not impossible. It is necessary to have a differential in organizational practices for success in the management and hence the stability of these organizations who present themselves as important agents seeking solutions to the problems of society.

The importance of concepts such as market orientation, organizational learning, innovation and performance has been discussed for several decades (Felton, 1959; Houston, 1986; Levitt, 1969). Drucker (1954) is often referred to as the pioneer of literature on market orientation. Since even caught the attention of the customer / user should be the center of the organization, until the recent conceptualization and operationalization of the concept of market orientation (Narver and Slater, 1990; Kohli and Jaworski, 1990; Kohli et al. , 1993; Wrenn, 1996). It is believed that market orientation is a type of organizational culture that contributes to improving the performance of organizations (Deshpande and Webster, 1989; Narver and Slater, 1990; Slater and Narver, 1994; Hunt and Morgan, 1995). Although it is generally accepted that a market-oriented behavior facilitates innovation and that this, in turn, positively influences performance, but there is unanimous agreement among authors. There are empirical studies that demonstrate that there is a positive relationship between market orientation and organizational performance (Narver and Slater, 1990; Ruekert, 1992, Jaworski and Kohli, 1993; Slater and Narver, 1994; Pelham and Wilson, 1996; Van Egeren and O'Connor, 1998), other studies have found a weak (Diamontopoulos and Hart, 1993; Pitt et al., 1996) and others have found no relation (Esslemont and Lewis, 1991; Greenley, 1995; Caruana, 1999).

Given this diversity of conclusions many authors argue that the relationship between market orientation, organizational learning, innovation and organizational performance are not sufficiently clarified and require further investigation (Slater and Narver, 1995; Sinkula et al., 1997; Hurley and

Hult , 1998), indicating that there may be a more complex relationship between market orientation and performance. However, there are also many studies that examined separately in each performance variable (Slater and Narver, 1995; Hurley and Hult, 1998, Han et al. 1998). It was found that there is indeed a relationship between these variables and that directly or indirectly affect the performance of organizations, but the conclusions are not always coincide. While confirming the existence of these relationships no known model that integrates the various variables and analyze its effect on organizational performance. The finding and filling the gaps in the literature is the scope and aim of this study. We intend to develop an integrated conceptual model that can be applied to NPOs and allowing clarify the concept of market orientation and analyze the relationship of the value chain and market orientation - performance, incorporating the variables organizational learning and innovation.

Bearing in mind the current point of research on the relationship between market orientation and performance and that, given the state of the art, the variables market orientation and organizational learning are constituted as a history of innovation, we propose a conceptual model used for profit organizations and that translates the relationships between the variables under analysis to empirically investigate throughout this study. Figure 1 illustrates the research model that we propose to test the NPO:



**Figure 1 – Model Research**

Causal relationships to consider following the model we propose is a direct relationship between social orientation and performance (path c) and links the chains social orientation → organizational learning → performance (path (a) and (b)) and social orientation → social innovation → performance (path (d) and (f)). The paths (e) and (f) represent the relationship between organizational learning → social innovation → performance and the path (g) represents the moderating role of the environment in the relationship between social orientation and performance.

The analysis of the paths intended to show the following:

- i. Organizational learning and innovation are social mediating variables in the relationship between social orientation and performance;
- ii. The social orientation can directly influence the performance (path c) and indirectly through organizational learning (paths a → b) and social innovation (paths d → f);

- iii. Organizational learning can not only directly influence the performance (path b), but also indirectly through social innovation (paths e → f);
- iv. Social innovation can directly influence the performance (path f);
- v. The environment in which the organization operates may have a moderating effect on the relationship between social orientation and performance (paths g → c).

## Conclusion

The literature shows that are held in very few research studies that incorporate the variables organizational learning and innovation in the relationship between market orientation and performance. Existing studies have been applied mainly profit organizations, Hurley and Hult (1998) introduced the innovation variable in the analysis of the relationship between the characteristics of the organization and its performance. These recommend that models of market orientation should focus on innovation instead of organizational learning. Rather, Sinkula et al. (1997) suggest that only investigate the relationship between market orientation to learning and performance. It is precisely this effort to link the concepts applicable to organizations profitable and its application in the NPO that aims to underpin this work.

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